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IN THE UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

SEBASTIAN BROWN PRODUCTIONS, LLC,

Plaintiff,

v.

MUZOOKA, INC.,

Defendant.

Case No.: 15-CV-01720-LHK

REPLY IN SUPPORT OF DEFENDANT'S MOTION TO DISMISS AMENDED COMPLAINT, AND IN THE ALTERNATIVE, FOR JUDGMENT ON THE PLEADINGS

Date: **March 10, 2016**

Time: **1:30pm**

Dept: **Courtroom 8, 4th Floor**

Hon. Lucy H. Koh

REPLY IN SUPPORT OF DEFENDANT'S MOTION TO DISMISS AMENDED COMPLAINT, AND IN THE ALTERNATIVE, FOR JUDGMENT ON THE PLEADINGS

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INTRODUCTION

Defendant Muzooka, Inc. ("Muzooka") has moved to dismiss the deficient Amended Complaint (Dkt. No. 65) filed by Plaintiff Sebastian Brown Productions, LLC ("SBP") in this action. Despite being given the opportunity to amend its original Complaint, Plaintiff still fails in its allegations of trademark infringement against Defendant as a matter of law. The trademark registration upon which Plaintiff bases its priority rights is invalid due to an improper assignment of the intent-to-use application underlying the registration. Plaintiff simply does not have a leg to stand upon in its claim. Further, Plaintiff's conclusory and implausible allegations of likelihood of confusion are insufficient to state any claim for relief. The Amended Complaint should be dismissed with prejudice, and the action against Defendant finally terminated.

ARGUMENT

A. Plaintiff Does Not Own Priority Rights in a Valid Trademark Because the Registration Upon Which It Bases Its Rights Is Invalid Due to an Improper Assignment

As set forth in Defendant's Motion (Dkt. No. 68), pursuant to 15 U.S.C. § 1060(a)(1), a trademark application filed with the United States Patent and Trademark Office ("USPTO") based upon an intent to use the mark under Section 1(b) of the Trademark Act may not be assigned prior to filing of a Statement of Use or Amendment to Allege Use. 15 U.S.C. § 1060(a)(1) provides one exception to this rule, permitting the assignment where it is made to a successor of the business of the applicant pertaining to the mark, or a portion thereof, *provided that such business is ongoing and existing*. An assignment made in violation of the terms of 15 U.S.C. § 1060(a)(1) not only renders the assignment invalid, "but the prohibited assignment also *voids* the application or *any resulting registration* [emphasis added]." *Clorox Co. v. Chem. Bank*, 40 U.S.P.Q.2d 1098, 1104 (T.T.A.B. 1996) (precedential).

It is unquestioned that the intent-to-use application for the MUZOOK trademark, Serial No. 85/420,834, from which Registration No. 4,419,977 was eventually divided and matured, was assigned before Plaintiff or its purported predecessor J. Michael Miller filed any Statement of Use or Amendment to Allege Use. (*See* Am. Compl. Ex. C; Opp. (Dkt. No. 71) at 5.) Thus, Plaintiff must rely on the exception contained in 15 U.S.C. § 1060(a)(1) to save the assignment. Plaintiff cannot save the assignment, or consequently, the registration. The Amended Complaint and judicially noticeable facts are clear in establishing that the assignment of Serial No. 85/420,834 was not made to a successor to the ongoing and existing business of the applicant to which the mark pertains because neither Plaintiff nor its supposed predecessor had any ongoing and existing business pertaining to the mark at the time of assignment. The assignment of Serial No. 85/420,834 was thus invalid under the terms of 15 U.S.C. § 1060(a)(1), rendering Registration No. 4,419,977 void and Plaintiff's claim of priority rights therein null. As Registration No. 4,419,977 is Plaintiff's sole basis for claiming priority rights in the MUZOOK trademark in the Amended Complaint, Plaintiff's claim of trademark infringement necessarily fails in the necessary element of ownership of priority rights in a valid trademark. Plaintiff's claim thus fails as a matter of law, and the action against Defendant should be dismissed in its entirety with prejudice.

1. The assignment of Plaintiff's registration is invalid under 15 U.S.C. § 1060(a)(1) because there was no ongoing and existing business pertaining to the mark at assignment

a. The mark must be *in use* for an applicant to have "ongoing and existing" business pertaining to the mark

In order to meet the statutory exception contained in 15 U.S.C. § 1060(a)(1), the intent-to-use applicant must assign its intent-to-use application to a successor of the applicant, along with the "ongoing and existing" business pertaining to the mark, or a portion thereof. As set forth in the plain terms of 15 U.S.C. § 1060(a)(1), an applicant satisfies the exception "if that business pertaining to the mark [so assigned] is ongoing and existing." Simply put, the applicant must have ongoing and existing business pertaining to the mark at the time of assignment to meet the exception.

The case law and legislative history make clear that in order for an applicant to have ongoing and existing business pertaining to the mark at the time of assignment so as to meet the statutory exception, the applicant must have put the mark into use with the goods and/or services recited in the application. The case of *Greene v. Ab Coaster Holdings, Inc.*, 2012 U.S. Dist. LEXIS 136890 (S.D. Ohio Sep. 25, 2012) confirms this very point and is almost directly on point with the present case. In *Greene*, the court, after determining that the relevant assignment was violative of 15 U.S.C. § 1060(a)(1) because the Statement of Use was filed well after the assignment was executed,

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considered whether the statutory exception applied. The court held that the exception did not apply and that the assignment and resulting registration were void, finding that the intent-to-use applicant and assignor Bodytime Wellness "did not have 'an ongoing and existing business' related to the Ab Coaster mark in December 2006 at the time of the assignment *because the mark was not in use* [emphasis added], i.e., Bodytime Wellness was not in the business of 'providing goods or services' related to the Ab Coaster exercise device. *Id.* at *27 (citing *Railrunner N.A. Inc. v. New Mexico Dep't of Trans.*, 2008 TTAB LEXIS 58, *7 (T.T.A.B. 2008)). The court further reasoned that:

> The Court is tasked with determining whether Bodytime Wellness was in the business of providing goods or services in commerce related to the Ab Coaster mark. As to the inquiry, and as discussed in detail above, there is simply no dispute that Bodytime Wellness was not in the business of providing the Ab Coaster exercise device in commerce, *but instead was in the business of developing the product that would in the future be marked with the Ab Coaster trademark* [emphasis added]. This "business" is not the type of ongoing and existing business sufficient to fit into the exception provided for in [15 U.S.C. § 1060(a)].

Id. at *28. Similarly here, the assignment of the intent-to-use application underlying Registration No. 4,419,977 was made well before (almost two years) the Statement of Use was filed, violating the plain terms of 15 U.S.C. § 1060(a)(1). (*See* Am. Compl. Ex. C; Req. for Jud. Not. Ex. A.) Plaintiff further cannot satisfy the statutory exception because there was no use of the MUZOOK mark so as to establish an ongoing and existing business pertaining to the mark at the time of assignment. The allegations of the Amended Complaint and judicially noticeable facts establish that Plaintiff, or its alleged predecessor J. Michael Miller, used the MUZOOK mark only as early as August 14, 2013, nearly two years after execution of the assignment. (*See* Req. for Jud. Not. Ex. C.) Plaintiff's alleged predecessor had no ongoing and existing business pertaining to the mark to assign at the time of assignment because the mark was not in use. Plaintiff thus fails the statutory exception.

Plaintiff asserts in its Opposition brief that its purported predecessor began "business activities to implement the business model" including the filing of a provisional patent application on December 19, 2011, intimating that these activities show the existence of an ongoing and existing business pertaining to the mark at assignment. (*See* Opp. at 8.) Plaintiff further asserts in the Declaration of J. Michael Miller in Support of Plaintiff's Opposition (Dkt. No. 71-1) that J. Michael Miller "personally began to *pitch* [his] collaboration services *ideas* [emphasis added] to others attached to the mark MUZOOKA" as early as April 28, 2011. (Miller Decl. ¶ 5.) The relevant inquiry

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is whether J. Michael Miller was providing goods and/or services under the MUZOOK mark (that is, using the mark) at the time of assignment. *See Greene*, 2008 TTAB LEXIS 58 at *28. He was not. The tangential or preparatory activities noted by Plaintiff do nothing to establish an ongoing and existing business pertaining to the mark at assignment to meet the statutory exception and are precisely the sorts of activities held insufficient in *Greene*. *Id.* at •24 ("Bodytime Wellness was, at the time of the assignment, engaged in the ongoing business of distributing wellness products (such as massagers) [unrelated to the Ab Coaster mark,] and was actively engaged in the ongoing business of developing the Ab Coaster abdominal exercise devices including analysis of various marketing strategies, creating sample devices, *filing patent applications* [emphasis added], etc." – finding such activities did not support an ongoing and existing business pertaining to the mark). Further, the Declaration of J. Michael Miller is outside of the scope of the pleadings and is not judicially noticeable – it may be disregarded on this Motion.[1] *See MGIC Indem. Corp. v. Weisman*, 803 F.2d 500, 504 (9th Cir. 1986); *Intri-Plex Technologies, Inc. v. Crest Group, Inc.*, 499 F.3d 1048, 1052 (9th Cir. 2007). However, its stated terms merely confirm what is already known about J. Michael Miller's business pertaining to the mark at assignment – J. Michael Miller was only pitching a potential business idea in 2011 prior to the assignment. The declaration noticeably contains no first use date earlier than the asserted August 14, 2013 date.

b. Clear and long-established policy supports the prohibition on assignments of intent-to-use applications before the mark is put into use

The legislative history of 15 U.S.C. § 1060(a) confirms the requirement that the mark shown in the intent-to-use application must be in use to establish an ongoing and existing business pertaining to the mark to meet the statutory exception, and explains the policy behind the requirement.

> The bill prohibits the assignment of an intent-to-use application prior to registration of the mark unless the application is assigned to a successor to the business of the applicant to which use of the mark pertains. Permitting assignment of applications *before a mark is used* [emphasis added] would conflict with the principle that a mark may be validly assigned only with some of the business or goodwill attached to use of the mark and would encourage trafficking in marks.

[1] Notably, and tellingly, Plaintiff's Opposition is almost entirely devoid of actual citations to allegations of the Amended Complaint to support its claims that it has plausibly alleged ownership of valid priority rights and consequent trademark infringement.

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Clorox, 40 U.S.P.Q.2d at 1104 (citing S. 1883, 100th Cong., 1st Sess., 133 Cong. Rec. S16552 (daily ed. November 19, 1987), *reprinted in* United States Trademark Association, *The Trademark Law Revision Act of 1988* 122 (1989)); see also *Railrunner N.A. Inc. v. New Mexico Dep't of Trans.*, 2008 TTAB LEXIS 58, *7 (T.T.A.B. 2008) ("the legislative history of the TLRA reveals considerable concern that the filing of such [ITU] applications may lead to trafficking in marks which are not yet in use. The restrictions on transfer of ITU applications in Trademark Act § 10 resulted from those concerns.") Congress thus specifically contemplated that the exception of15 U.S.C. § 1060(a)(1) would still prohibit assignment of an intent-to-use application before the subject mark is put into use.

"Goodwill can only accrue with the use of a trademark." *See Jim Henson Prods. v. John T. Brady & Assocs.*, 867 F. Supp. 175, 182-183 (S.D. N.Y. 1994) (explaining that prior to actual use there is no assignable interest in a trademark). A (or perhaps the) central tenet of United States trademark law is that rights in a trademark accrue upon use of a mark, rather than registration. *See id.* ("A fundamental principle of trademark law is that trademark rights arise solely from use of a mark in commerce to represent the goodwill of an on going business.") (citing *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916)); *see also Sengoku Works Ltd. v. RMC Int'l, Ltd.*, 96 F.3d 1217, 1219 (9th Cir. 1996) ("To acquire ownership of a trademark it is not enough to have invented the mark first or even to have registered it first; the party claiming ownership must have been the first to actually use the mark in the sale of goods or services.")

While an application filed based upon an intent to use under Section 1(b) of the Trademark Act provides for a constructive use priority date, the constructive use priority date is not fulfilled as actual priority trademark rights until the registration is issued, after the mark is put into use. *See* 15 U.S.C § 1057(c). Before there is use of a mark, there is no protectable trademark interest to be transferred. An intent-to-use application is nothing more than an option to obtain trademark rights. If the intent-to-use application is assigned before a Statement of Use or Amendment to Allege Use is filed, and even before use itself, the assignment is invalid under the terms and policy of the statute because nothing could have been transferred. As stated by Congress, to permit assignment of only an intent-to-use application without more would encourage trafficking in marks, without genuine rights changing hands.

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The requirements and policy of 15 U.S.C. § 1060(a)(1) are hardly illogical, bur rather comport with long-established principles of United States trademark law.

c. Defendant's reliance on *Railrunner* is well-founded

Defendant's citation to the *Railrunner* case in its Motion is hardly misleading, disingenuous, or brazen. Defendant has cited this case to help establish the multiple requirements a party must satisfy to come within the exception of 15 U.S.C. § 1060(a)(1), including that the intent-to-use application must be transferred with at least a part of the applicant's ongoing and existing business pertaining to the mark, and that such business arises from use of the mark. Plaintiff helpfully includes the relevant block quote from *Railrunner* in its Opposition brief at page 6:

> [A]n intent-to-use ("ITU") applicant may not transfer its application to another, unless it transfers with it at least that part of applicant's business to which the mark pertains. And as the last clause of the quoted subsection emphasizes, even that transfer is only permissible if the applicant actually has such a business, i.e., if the applicant is already providing the goods or services recited in the application.

Railrunner N.A. Inc. v. New Mexico Dep't of Trans., 2008 TTAB LEXIS 58, *7 (T.T.A.B. 2008). This language is clear on its face in establishing statutory exception requirements that (1) the intent-to-use application must be assigned with (at least a part) of applicant's business pertaining to the mark; and (2) applicant must actually have such a business, "i.e. … the applicant is already providing the goods or services recited in the application."

Plaintiff essentially attempts to characterize two requirements as one. The assignment agreement does in fact contain language purporting to transfer the part of the ongoing and existing business of Plaintiff's purported predecessor pertaining to the mark. (*See* Am. Compl. Ex. C.) But, the allegations of the Amended Complaint and judicially noticeable facts establish that Plaintiff cannot satisfy the additional requirement that the business was ongoing and existing. While the *Railrunner* assignment was ultimately held invalid due to lack of evidence that the assignee was the applicant's successor and because no part of applicant's business was transferred to assignee, the case is clear and forceful in setting forth the separate requirement that "applicant must actually have such a business" at assignment. *Railrunner* is further clear in its definition of business that is ongoing and existing, stating that the "transfer is only permissible if the applicant actually has such a business, *i.e., if the applicant is already providing the goods or services recited in the application* [emphasis added].” The case is absolutely clear in defining ongoing and existing business as requiring actual use of the mark. The *Greene* court cited *Railrunner* for the very same proposition Defendant cites the case. *Greene*, 2012 U.S. Dist. LEXIS 136890 at *27. Neither the assignment agreement nor any other factual allegation contained in the Amended Complaint in this case establishes an ongoing and existing business pertaining to the mark at assignment through actual use of the mark. The judicially noticeable facts on the other hand firmly establish that use of the MUZOOK mark began only as early as August 14, 2013, and there accordingly was no ongoing an existing business pertaining to the mark at assignment, thus rendering the assignment and resulting registration invalid.[2]

d. Plaintiff's apparent attempt to refute the plain terms of 15 U.S.C. § 1060(a)(1) is unavailing

As stated by Plaintiff its Opposition, “In its third motion to dismiss, Defendant has concocted a new defense based on a circular illogical construction that an intent to use application cannot be assigned without an ongoing business, and an ongoing business requires use, despite a statutory provision for assignment of an intent to use space [*sic*] applicant. Moreover, no law supporting such a nonsensical proposition has been cited.” (Opp. at 14.) Congress concocted 15 U.S.C. § 1060(a)(1), not Defendant. The statute is clear by its very terms that an intent-to-use application may not be assigned without an ongoing business. The case law and legislative history is clear that an ongoing and existing business pertaining to the mark arises from use of the mark. Further, Plaintiff attached its assignment agreement for the first time with the Amended Complaint, failing to do so in the original Complaint – the 15 U.S.C. § 1060(a)(1) defense became available upon Plaintiff's filing of the Amended Complaint. Defendant's recourse against a deficient amended complaint is to file another motion to dismiss, not to simply submit to deficient allegations.

Plaintiff also appears to read the 15 U.S.C. § 1060(a)(1) exception as allowing an intent-to-use application to be assigned provided that applicant simply has any business (whether or not associated with the mark) and a continuing intent to use the mark. This is simply not the law and

[2] The *Fitzpatrick v. Sony-BMG Music Entm't, Inc.*, 2010 U.S. Dist. LEXIS 87584, *13-14 (S.D.N.Y. Aug. 24, 2010) case upon which Plaintiff relies also is easily distinguishable from the present case. There, the court evaluated whether the assignment was in gross, and did not provide any evaluation or finding regarding the meaning of ongoing and existing

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contradicts the clear language of the statute requiring that the business of the applicant be that "to which the mark pertains." *See* 15 U.S.C. § 1060(a)(1). Plaintiff may not like the statute, but the assignment here (and the resulting Registration No. 4,419,977) are invalid by the statute's clear terms.

2. Plaintiff's parent application is now dead, and the registration resulting from the child application (Registration No. 4,419,977) should be cancelled

Defendant has never argued that a child application divided out from the parent application may not retain the original filing date. Defendant argued (with good basis) in the Motion that Plaintiff's continued attempt to assert any rights in the parent Application Serial No. 85/420,834 in the Amended Complaint was improper because the application was (and is) abandoned. Defendant now admits that Serial No. 85/420,834 is abandoned (Opp. at 8), making Plaintiff's inclusion of and reliance upon the application in the Amended Complaint (Am. Comp. ¶ 11) curious, at best. Defendant's argument with respect to Registration No. 4,419,977 is that the above-analyzed assignment renders the registration invalid. With Plaintiff's registration dead, and no other basis of priority alleged in the Amended Complaint, Plaintiff cannot establish priority over Defendant. The Amended Complaint thus fails as a matter of law in a necessarily element.

B. Plaintiff's Allegations of Trademark Infringement Are Conclusory and Implausible

As set forth in Defendant's Motion, and as in *Murray v. Cable NBC*, 86 F.3d 858, 861 (9th Cir. 1996), "[b]ecause the parties' services are unrelated, there is no likelihood of consumer confusion as a matter of law." The case law firmly establishes that likelihood of confusion may be determined upon a motion to dismiss as a matter of law without resorting to wasteful and unnecessary trial proceedings. *See Cintas Corp. v. UNITE HERE*, 601 F. Supp. 2d 571, 580 (S.D.N.Y. 2009).

Moreover, Plaintiff simply misconstrues several of the likelihood of confusion factors. Commonality use of the internet generally as a marketing channel adds very little to the analysis because of the ubiquity of the internet as a marketing channel amongst all mark owners. *See Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020, 1028 (9th Cir. 2004) (internet as marketing

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business pertaining to the mark under the statute. Further, Plaintiff here can point to no allegations whatsoever concerning accumulation of goodwill in the mark prior to assignment.

channel given little weight due to broad internet use); *Hanginout, Inc. v. Google, Inc.*, 54 F. Supp. 3d 1109, 1127 (S.D. Cal. 2014) ("Where both parties utilize the Internet to market the products at issue, the Ninth Circuit has found this factor carries little weight in the likelihood of confusion calculation.") Further, constructive notice accrues upon registration of the mark, not application. *See* 15 U.S.C. § 1072. Defendant adopted and used the MUZOOKA mark nearly two years before the MUZOOK mark registered – Defendant had no constructive knowledge of the MUZOOK mark. Further, Plaintiff has not made any plausible allegations concerning actual knowledge of infringement. It is not Defendant's burden to bring forth evidence at this stage of the proceeding. It is Plaintiff's burden of pleading to establish a plausible claim for relief. Plaintiff has repeatedly failed in its burden.

CONCLUSION

Plaintiff has had ample opportunity to allege a plausible claim. It has failed to do so. Plaintiff's claims irredeemably and irrevocably fail. For all of the foregoing reasons, Defendant's Motion should be granted, and the action against Defendant should be dismissed in its entirety with prejudice.

Dated: January 19, 2016

Respectfully submitted,

By: /s/ Otto O. Lee

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CERTIFICATE OF SERVICE

I certify that on January 19, 2016, I electronically filed the foregoing **REPLY IN SUPPORT OF DEFENDANT'S MOTION TO DISMISS AMENDED COMPLAINT, AND IN THE ALTERNATIVE, FOR JUDGMENT ON THE PLEADINGS** using the Court's CM/ECF system, which will provide service by email to the persons at the email addresses listed below.

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Dated: January 19, 2016

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